

## Message Text

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COME-00 EB-07 EA-10 FRB-01 INR-07 NEA-09 NSAE-00

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01

PA-02 PRS-01 USIA-15 /101 W  
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FM USMISSION OECD PARIS  
TO SECSTATE WASH DC 6438  
INFO USMISSION GENEVA  
USMISSION EC BRUSSELS  
AMEMBASSY MADRID

UNCLAS SECTION 01 OF 03 OECD PARIS 08975

DEPT PASS LABOR, TREASURY AND COMMERCE

SUBJECT: LIAISON COMMITTEE MEETING WITH TUAC:  
MULTINATIONALS

REF: (A) STATE 67954; (B) OECD PARIS 7272;  
(C) RE/TUAC/75.1

1. SUMMARY. OECD LIAISON COMMITTEE WITH INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS MET WITH TRADE UNION ADVISORY COMMITTEE (TUAC) MARCH 26 TO DISCUSS TUAC PROPOSALS TO REGULATE MNCS. OECD SECRETARIAT AND MEMBER COUNTRY DELEGATIONS, WHILE DISAGREEING WITH SPECIFIC TUAC PROPOSALS, AGREED THAT FURTHER STUDY OF TUAC PAPER WOULD BE USEFUL. IT WAS GENERALLY FELT THAT MORE INFORMATION ABOUT MNC ACTIVITY IS REQUIRED. SPANISH WORKER REP INSISTED TUAC DOCUMENT'S EGREGIOUS REFERENCE TO SPANISH LABOR SITUATION BE STRICKEN OR DOCUMENT ITSELF BE REMOVED FROM AGENDA. TUAC CHAIRMAN CONCEDED. TUAC CONSIDERED TALKS "POSITIVE" AND HOPES TO CONTINUE DIALOGUE WITH APPROPRIATE OECD WORKING PARTIES AND COMMITTEES.

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AMBASSADOR TURNER COMMENTED ALONG LINES REFTELS. END

SUMMARY.

2. SECGEN VAN LENNEP MADE OPENING STATEMENT OUTLINING OECD ACTIVITIES RE MNCS AND ULTIMATE OBJECTIVE WHICH HE SAW AS A NON-MANDATORY CODE OF BEHAVIOR FOR MNCS. TUAC CHAIRMAN (S.B. VOGNBJERG, V.-P. OF DANISH LO) STATED THAT TUAC PAPER REPRESENTED POSITION OF INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU), WORLD CONFEDERATION OF LABOR (WCL), AND INTERNATIONAL TRADE SECRETARIATS (ITS). (AFL-CIO VIEWS WERE REPRESENTED THROUGH NEWSPAPER ARTICLE BY AFL-CIO SECRETARY-TREASURER LANE KIRKLAND ENTITLED "MULTINATIONALS: IMPACT ON U.S." WHICH WAS APPENDED TO TUAC DOCUMENT). VOGNBJERG STATED MNCS MUST BE VIEWED IN GLOBAL CONTEXT AND REGULATED BY TREATY. OECD IS MOST APPROPRIATE FORUM SINCE 80 PERCENT OF MNCS ARE LOCATED IN OECD COUNTRIES. TUAC STRESSED IMPORTANCE OF POTENTIAL UNION ROLE AS "COUNTERWEIGHT" TO MNC POWER AND NEED TO "DEMOCRATIZE ECONOMIC SYSTEM" AND INTRODUCE "SOCIAL JUSTICE" VIA HARMONIZED NATIONAL LEGISLATION AND COORDINATED INTERNATIONAL EFFORTS.

3. SPANISH WORKER REP MANZANO GARCIA (GUIPUZCOA WORKERS COUNCIL) VIGOROUSLY PROTESTED STATEMENT IN APPENDIX IV OF DOCUMENT (REF B, PARA 6) "THAT TEN WORKERS WERE MURDERED BY POLICE IN LAST THREE YEARS." HE OBSERVED THAT SPANISH WORKERS HAVE DE FACTO RIGHT TO STRIKE AND FREELY ELECT THEIR UNION REPRESENTATIVES, AND THAT UNIONS ARE AUTONOMOUS AND FREE OF MANAGEMENT OR GOVERNMENTAL CONTROL. HE CONCLUDED THAT STATEMENT WAS "INAPPROPRIATE, FALSE AND TENDENTIOUS;" EITHER IT SHOULD BE DELETED FROM DOCUMENT OR DOCUMENT SHOULD BE REMOVED FROM AGENDA. TUAC CHAIRMAN AGREED TO DELETION BUT STATED TEXT REFLECTS ILO RESOLUTIONS.

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#### 4. PUBLIC ACCOUNTABILITY

TUAC SPOKESMAN SAID UNIONS NEED INFORMATION TO BARGAIN EFFECTIVELY AND PROPOSED THAT OECD STUDY SECTORS DOMINATED BY MNCS AS BASIS FOR GLOBAL MANAGEMENT AND GOVERNMENTAL COOPERATION. SECRETARIAT NOTED OECD INFORMATION BASED ON NATIONAL STATISTICS AND THAT TUAC PROPOSAL TO OBTAIN INFO DIRECTLY FROM MNCS "WILL CONTRIBUTE TO SECRETARIAT'S THINKING." SWEDISH DEL WELCOMED TUAC VIEWS, SAID MNCS SHOULD SUBMIT ANNUAL REPORTS AND THAT A CODE WOULD MITIGATE "NEGATIVE ASPECTS" MNC ACTIVITIES, E.G., TAX EVASION, UNFAIR COMPETITION, INDUSTRIAL RELATIONS. FRENCH TUAC REP SAID INFORMATION IS VITAL TO PROTECT WORKERS' INTEREST AND CITED RECENT DECISION BY US MNC TAKEN IN NASHVILLE THAT WILL RESULT IN JOB LOSS FOR 900 FRENCH WORKERS.

#### 5. SHORT-TERM CAPITAL MOVEMENTS

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TUAC REP STATED MNC SPECULATION IN CURRENCY MARKET HAS RESULTED IN MONETARY INSTABILITY. CORRECTIVE ACTION REQUIRES INTERNATIONAL REPORTING SYSTEM AND GOVERNMENTAL REGULATION. SECRETARIAT SAID THERE IS NO PROOF OF SUCH MNC SPECULATION, AND THAT ARBITRARY SELECTION OF 50-200 COMPANIES TO ANALYZE THEIR INTERNATIONAL CAPITAL MOVEMENTS WOULD NOT BE USEFUL EXERCISE. SECRETARIAT SAID US SYSTEM OF REPORTING CURRENCY TRANSACTIONS IS WORTH STUDYING.

#### 6. FOREIGN DIRECT INVESTMENT

TUAC REP SAID FURTHER STUDY IS REQUIRED TO DETERMINE IMPACT OF FOREIGN INVESTMENT ON EMPLOYMENT, CULTURE AND SOCIAL CONDITIONS OF HOST COUNTRY. HE NOTED, AS EXAMPLE TO SUPPORT TUAC CONTENTION, THAT JAPANESE INVESTMENT IN INDONESIA DID NOT INCREASE EMPLOYMENT OPPORTUNITIES NOR IMPROVE INCOME DISTRIBUTION.

AMBASSADOR TURNER MADE STATEMENT ALONG LINES CONTAINED REFS A AND B, NOTED US SUPPORT FOR CURRENT OECD MNC STUDIES. HE SAID HE FELT ISSUES RAISED IN CONNECTION WITH MNCs WERE NOT UNIQUE TO MNCs BUT RATHER MANIFESTATIONS OF BROADER QUESTIONS RELATED TO INTERNATIONAL INVESTMENT GENERALLY. FOR EXAMPLE, PROBLEMS SUCH AS SHORT-TERM CAPITAL MOVEMENTS, TRANSFER PRICING, EXTRATERRITORIAL APPLICATION OF LAWS, TRANSFER OF TECHNOLOGY, RECOGNITION OF UNIONS, SUB-CONTRACTING, ALLOCATION OF COSTS AND INCOME AMONG SUBSIDIARIES ARE NOT PECULIAR TO JUST THE LARGE COMPANIES OPERATING INTERNATIONALLY. US, HE SAID, IS SUPPORTING THE ONGOING EXAMINATION OF THESE ISSUES BY THE OECD.

UK DEL NOTED TUAC PROPOSALS REQUIRE "MORE BALANCE" IF OECD IS TO REACH CONSENSUS ON THEIR IMPLEMENTATION AND CONCURRED WITH US STATEMENT. UK DEL ADDED HIS GOVERNMENT WELCOMES PROPOSALS TO REVIEW MNC IMPACT ON WAGES AND INDUSTRIAL RELATIONS, BUT NOTED MNCs "CAN NOT GUARANTEE EMPLOYMENT."

7. AMENDING OECD CAPITAL MOVEMENTS CODE  
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SECRETARIAT CONSIDERED TUAC PROPOSALS TO AMEND CODE TO INCLUDE SOCIAL RESPONSIBILITIES "DRASTIC," AND ASKED HOW THIS COULD BE DONE. SECRETARIAT NOTED REGIONAL DIFFERENCES, CONFLICTING LEGISLATION, INSTABILITY OF SOME LDC GOVERNMENTS AND RESULTANT TRANSITORY NATURE RELEVANT LDC LEGISLATION. VAN LENNEP OBSERVED CODE HAS BEEN USEFUL, BUT AS HIGHLY TECHNICAL/LEGAL INSTRUMENT, ASKED IF IT SHOULD BE AMENDED TO REFLECT SOCIAL CONCERNS. HE SAID "WE ARE VERY INTERESTED" IN PROPOSAL WHICH COULD BE BASIS FOR FUTURE WORK.

8. COMPETITIVE ATTRACTION (INVESTMENT INCENTIVES)

SECRETARIAT OBSERVED MANY HOST GOVERNMENT INCENTIVES REFLECT LEGITIMATE DEVELOPMENT POLICIES. TUAC REP STATED POWER OF MNCs PROVIDE THEM GREATER OPPORTUNITY TO TAKE ADVANTAGE OF INCENTIVES.

9. RESTRICTIVE BUSINESS PRACTICES

SECRETARIAT EXPRESSED GENERAL AGREEMENT WITH  
TUAC PROPOSALS CONCERNING RBP AND SAID OECD HAD PREPARED  
SEVERAL RELEVANT REPORTS, E.G., EXCHANGE OF INFORMATION,

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TRANSFER PRICING, ABUSE OF TAX HAVENS AND TAX INCENTIVES.  
SECRETARIAT NOTED "COMMON FIELD OF ACTION" AND RECALLED  
1967 OECD RECOMMENDATION FOR INTERNATIONAL GOVERNMENTAL  
COOPERATION ON RBP AND LONGER TERM OECD PROPOSAL FOR AN  
INTERNATIONAL COMMISSION ON RBP. SECRETARIAT FURTHER  
NOTED THAT ALLEGATIONS OF TAX EVASION BY MNCs NOT PRO-  
VEN AND REVIEW OF RBP SHOULD NOT BE LIMITED TO MNCs  
BUT EXTENDED TO INTERNATIONAL BANKING, INSURANCE, ETC.

10. TECHNOLOGY TRANSFER

TUAC OBSERVED MONOPOLY CONTROL OF TECHNOLOGY HAD AD-

VERSELY AFFECTED LDCS THROUGH BRAIN DRAIN AND  
DEPENDENCE ON ECONOMIC POWER CONCENTRATED IN CAPITAL-  
EXPORTING COUNTRIES.

11. CONCLUSIONS

TUAC CONCLUDED THAT MNCS CAN BE REGULATED IF GOVERN-  
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MENTS HARMONIZE LEGISLATION, ESTABLISH MANDATORY CODE  
OF CONDUCT AND SIGN INTERNATIONAL CONVENTION. TUAC  
CHAIRMAN SAID LABOR DOES NOT OPPOSE MNCS BUT ASKS THAT  
INTERNATIONAL INVESTMENT RECOGNIZE ITS SOCIAL RESPON-  
SIBILITIES, COLLECTIVE BARGAINING AND INDUSTRIAL DEMO-  
CRACY. SECRETARIAT OBSERVED SINCE LEGISLATION IS DIFFI-  
CULT TO HARMONIZE, AN INTERNATIONAL CONVENTION IS NOT  
FEASIBLE, THOUGH A NON-MANDATORY CODE OF GOOD CONDUCT  
MIGHT BE. TUAC EXPRESSED HOPE THAT FOLLOW-UP MEETINGS  
BETWEEN TUAC, WORKING PARTIES AND APPROPRIATE COMMITTEES  
WILL CONTINUE.  
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